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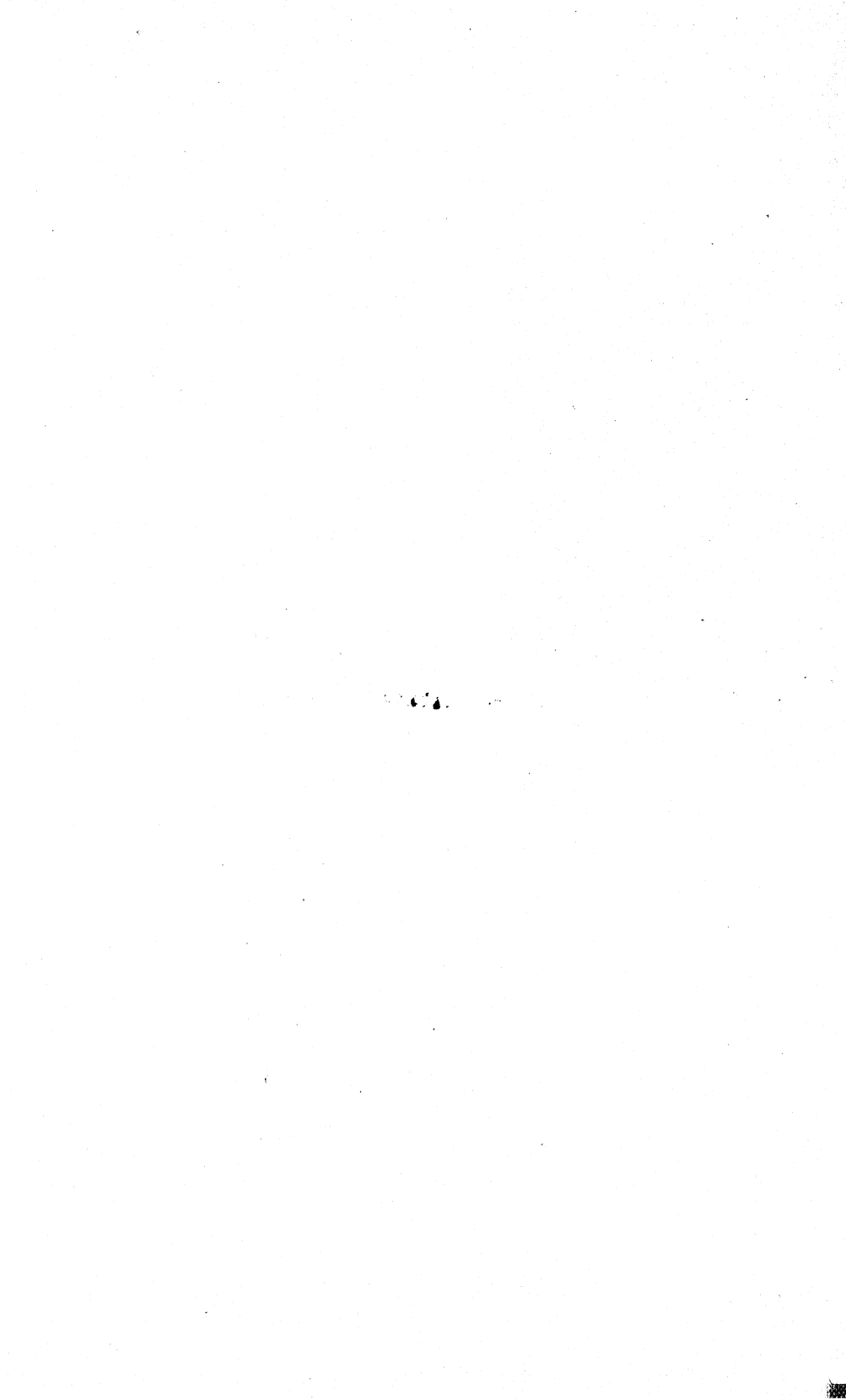
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PINKHAM.

Transportation  
in the Territory of Hawaii.

(1907)



CHEAP TRANSPORTATION IS THE LIFE OF THE PEOPLE AND SHOULD BE CONTROLLED BY THE PEOPLE FOR THE PEOPLE UNDER JUST, INTELLIGENT AND CLEARLY DEFINED LAWS AND REGULATIONS.

WITHOUT THE CHEAPEST POSSIBLE TRANSPORTATION THE SMALLER INDUSTRIES AND IMMIGRANT SETTLERS WILL BE SERIOUSLY HANDICAPPED IN THEIR OBJECTS, IF NOT DEFEATED.

# TRANSPORTATION

IN THE

## Territory of Hawaii

BY L. E. PINKHAM

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The People and Just Promotion

VERSUS

The Present General Railway Law, Which  
Permits Over Capitalization and  
Excessive Promotion.

HONOLULU:  
THE BULLETIN PUBLISHING CO., LTD.

1907

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EDUCATION IS NEEDED.

EDUCATION IN PRACTICAL OCCUPATIONS IS MORE NEEDED.

OPPORTUNITIES FOR A SELF-RESPECTING LIVELIHOOD ARE STILL MORE NEEDED.

THE WELFARE OF THE COMMON PEOPLE MUST BE THE PARTICULAR CARE OF THE TERRITORY FOR THEY CANNOT INDIVIDUALLY PROTECT THEIR OWN INTERESTS.

IN CARING FOR THE PEOPLE IT IS NOT NECESSARY TO INJURE THE LAUDABLE INTERESTS OF OR DESTROY CAPITAL OR OUR OWN MAIN INDUSTRY BUT RATHER PROMOTE THEM ON THE LINES OF EQUITY AND JUSTICE.

TRANSPORTATION IS THE MAIN FACTOR IN SECURING THE RESULTS OF INDUSTRY AND ENTERPRISE AND ITS PROMOTERS SHOULD BE KEPT WITHIN THE BOUNDS OF CONSERVATIVE ENTERPRISE AND NOT BE GIVEN OPPORTUNITIES FOR LEGAL EXPLOITATIONS AND BURDENSOME CHARGES ON EITHER LARGE OR SMALL PRODUCERS.

#### TRANSPORTATION CONDITIONS AND PROBLEMS TERRITORY OF HAWAII.

The very cheapest possible transportation by sea, and the very cheapest possible transportation by land, is necessary for the very existence of the present and possible industries of the Territory of Hawaii, that they may live and prosper in competition with the more favored and less distantly situated countries as to markets, which competition promises to become more keen and severe.

The cheapest and quickest transportation by sea can never be obtained until steamers can both load and discharge cargoes alongside wharves at railway terminals. . .

The interest on legitimately issued Railway Bonds and Capital Stock, paid for in cash, is a legitimate charge on the people and industries patronizing such railway.

Neither Section 808 R. L. of Hawaii, nor Chapter 64 R. L., affords protection to the people from over issues of Bonds and Capital Stock, which careless legislation is invariably taken advantage of to exploit the people and their industries.

The Islands of Hawaii and Kauai are particularly suffering and are being retarded in development from the lack of railway accommodations, terminals and harbors.

The districts of Hamakua and Hilo, Island of Hawaii, and the two districts of Kauai, 1st., the South, and 2nd., the East and North, lack railway facilities.

The Hawaii Railway, serving the district of North Kohala, needs a quiet harbor and terminals, which might be properly located at Kawaihae, Hawaii, in connection with other lines of railway.

A railway is needed from Kawaihae through the Waimea and upper Hamakua, Hawaii, districts to a junction with a below-described branch line, and thence to the city of Hilo, Hawaii.

There exists at the present time more or less connecting lines of plantation railways reaching directly the sugar mills of the Hamakua district, and, from which the heavy freight traffic must at present originate, which lines are capable of being very cheaply transformed into a line of railway serving the lower portions of said district and then connecting with the main line above-mentioned form a line which would continue to the city of Hilo, and which would serve the Hilo district.

The Kona district of Hawaii is about to be served by the extension of the existing railway, and the Kau district must depend on extensions of some line existing, or projected.

There are excellent lines of plantation railways on the south of the Island of Kauai that could be connected into one adequate line of railway for that district, serving both the plantations and public; and on the east and north of Kauai nearly similar conditions exist.

It is necessary and desirable to ascertain whether Kauai can be best served by one or two railway systems.

The Island of Maui is well served by the Kahului Railway, which now holds the control of the situation, and can be extended as required.

The Island of Oahu is well provided with railways and extensions are being made as rapidly as equired.

In the districts of Hamakua and Hilo, Hawaii, from Waipio Gulch to Hilo, Hawaii, covering a railway mileage of approximately seventy miles, there is an existing freight tonnage outward bound of approximately 110,000 tons of sugar and other articles, and an inward tonnage of not less than 100,000 tons, and a population that should furnish not less than 400,000 single trip fares each year, all of which annual traffic should, at lower rates than now prevail in the Territory, produce a gross revenue of over \$600,000.00 per year, and operating and maintenance should not exceed \$290,000.00 per annum, leaving a net margin of \$310,000.00, against which interest and dividend charges should not exceed \$190,000.00 annually, leaving a surplus of \$110,00.00.

A great expansion of traffic and earnings must occur when the lands of Hilo, Hamakua and South Kohala districts are fully utilised.

In the south district of the Island of Kauai, there is a possible traffic of 80,000 tons, and in the north district of 22,000 tons (Lihue Plantation being excluded) and a population that should yield 100,000 fares, the revenue from which traffic cannot be estimated until terminals and harbors are determined, but which can be cared for with financial success by plantation agreements as to the utilization of existing plantation railways.

Much power for electric operation of railways can be secured from water heads on Government lands not alienated, and it is possible to combine the two systems of steam and electricity, securing the advantages of each.

It is now time to consider whether it be possible to secure these imperatively needed facilities of transportation for the Islands of Hawaii and Kauai under some railway corporations, in which the Government shall have a voice, and the Bonds and Capital Stock of which shall not exceed the actual cash paid in and a reasonable percentage for promotion and discount, the issue of both to be legally limited, and interest and dividends to be soundly and justly limited, that the people and industries of these districts may not be exploited forever, and that, as earnings increase, traffic charges may be reduced that the people and their industries may thrive, increase and prosper.

The stock-jobbing, manipulating, watering and inflating of the bonds and capital stock of the railroads of the mainland has aroused the President of the United States of America and public opinion to this shameless and corrupting exploiting of the people, commercial corruption and destruction of all financial integrity.

It is the duty of the Legislature of the Territory of Hawaii to see to it that neither the Legislative nor Executive powers, nor the people, are over-reached by those who would fasten forever millions of dollars of bonus stock on the people and industries of this country.

The Territory has, in the past, given financial aid to railway development, it may seek to ascertain if its financial aid is necessary to protect its people and industries in their imperative need of cheap transportation, and, should it so prove, seek the necessary authority to render such aid.

When once railroads are established in these districts, and issues of capital stock are emitted, the people and their industries can never secure relief through competitive lines of transportation, but will be subject to traffic rates best described by the words "all the traffic will bear".

The Executive should cease any alienation of public waterheads, pending the determination of the best methods of providing needed transportation facilities within the Territory.

The Legislature should carefully consider the interests and welfare of the people of the Territory of Hawaii and guard them in every possible and reasonable way from the results of excessive capitalization and unlimited powers of any corporation organized for the purpose of furnishing public railway transportation.

*The operation of the "Amended General Railway Law" and the Act "TO ENCOURAGE THE BUILDING OF PUBLIC RAILROADS ON THE ISLANDS OF HAWAII AND KAUAI" will be approximately as follows:*

It is impossible to make close estimates for the Island of Kauai, as terminals have not been determined upon, but on the northeast coast of Hawaii fair conclusions can be arrived at and the principle of Government aid be illustrated.

Under the old *General Railway Law*, the cost of a railway in the districts of Hilo and Hamakua, Hawaii, consisting of



18 miles of coast line, 4 miles of connecting line and 50 miles of main line, or a total of 72 miles, would be:

In 1st Mortgage Bonds .....	\$3,000,000.00	
In Capital Stock, 90% of which would be a bonus	3,000,000.00	
		<hr/>
• <i>Total</i> . . . . .	\$6,000,000.00	
To reach Kawaihae would cost:		
In 1st Mortgage Bonds . . . .	\$1,000,000.00	
In Capital Stock, 90% bonus	1,000,000.00	2,000,000.00
		<hr/>
<i>Total cost of railroad, Hilo to Kawaihae</i> . . . . .	\$8,000,000.00	

The corporation could increase this capital stock as they might choose.

*Under the Amended General Law* the same lines of railroad would cost:

In 1st Mortgage Bonds .....	\$2,000,000.00	
In Preferred Capital Stock .....	1,000,000.00	
In Common Capital Stock for promotion, financing, &c. . . . .	750,000.00	
		<hr/>
<i>Total</i> . . . . .	\$3,750,000.00	
To reach Kawaihae would cost:		
In 1st Mortgage Bonds . . . . .	\$ 650,000.00	
In Preferred Capital Stock . . . . .	350,000.00	
In Common Capital Stock . . . . .	250,000.00	1,250,000.00
		<hr/>
<i>Total cost of Railroad, Hilo to Kawaihae</i> . . . . .	\$5,000,000.00	

Under the *Amended General Railway Law*, applied as above, those patronizing this line of railway will be freed forever of the possibility of paying traffic rates to supply dividends on \$3,000,000.00 of watered stock.

The whole proposition becomes a fair, square deal, in which the Territory, the people and promoters are protected and prospered.

Another feature of the *Amended General Railway Law* is that the people and not the corporation get the benefit of the

sinking fund, which is, of course, originally taken out of the pockets of the people and not from the stockholders, so that when the \$2,650,000.00 of bonds are paid off by the operations of the sinking fund no stock can be issued in their place and the people need furnish traffic charges for dividends on \$2,350,000.00 only, instead of on \$8,000,000.00 or more. „

This means, eventually, lower rates for transportation, so our products can be brought very cheaply to tide water and, thence on a long voyage to market, able to stand a fair show in the world's competition.

In the Philippine Islands, Government aid is being extended very extensively in building railroads for development.

If the Territory of Hawaii shows its confidence by granting the trifling aid proposed by this Act, I believe the plantations affected by this Act will quickly absorb \$500,000.00 of preferred capital stock, and that investors will greedily take up the other \$500,000.00, and that as rapidly as needed the \$2,000,000.00 of bonds can be sold, and the Hilo-Hamakua end of the Hilo-Kawaihae railroad line can be quickly put under construction.

The following business is in sight at present:

110,000 tons of out-freight, 100,000 tons of in-freight and the probable 400,000 fares, which, at lower rates than exist in the Territory, would bring in a revenue of .....	\$605,342.00	
The expense of management, operating and maintenance would be over estimated at .....	\$290,000.00	
Taxes would not be less than.....	20,000.00	310,000.00
<hr/>		
Leaving a balance for interest, dividends, &c. of	\$295,342.00	
Interest at 3% on bonds annually from earnings . . . . .	\$ 60,000.00	
Returning to the Territory the interest advanced annually .....	60,000.00	120,000.00
<hr/>		
<i>Balance for preferred stock, etc., etc.</i> .....		\$175,342.00
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There is no good reason for exempting this particular railroad from taxation.

The Territory risks but little in its interest advances of . . . . .	\$ 60,000.00
Taxes, not otherwise receivable, would amount to	20,000.00

The amount at risk is but . . . . .	\$ 40,000.00
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and that would be returned one-half each six months in all probability. •

The increase of property values for taxation and development of the country would add to the resources of the treasury of Hawaii and not deplete it.

It is not the amount of money involved, but confidence shown by the people through the acts of its own Legislature representatives, that will aid this imperatively necessary transportation enterprise.

The mainland has suffered from excessive promotion and manipulated and inflated watered stocks, and Hawaii should learn by those mistakes of careless legislation and granting of franchises to now avoid them.

The hard times of this Territory are largely due to reckless financeering, and it is the duty of the Government to restrain that spirit and endeavor to bring about an era of conservative financeering and general prosperity among the middle classes rather than listen to schemes that enrich only the holders of franchises.

Low and decreasing traffic charges are the only possible means of development of this Territory, and render transportation available in all parts of the Islands for the benefit of the small holder as well as our sugar industry.

There is every reason this Act should pass. Should it be deemed advisable, a public hearing should be had.

The Island of Kauai and her development of small industries and protection of her great industry would be equally benefited. The great capitalists would not miss from their resources the first requirements of \$270,000.00, nor the final payment of \$270,000.00 and the bonds would find a sale. I need not further illustrate details as to Kauai.

If the promoters and organizers of these railroads are frank and open in their dealings with the public, they will not object to the public securing such information as may enable their Representatives of the Legislature knowing the full cause and

effect of such legislation as they have enacted or may enact on the subject of transportation.

If the promoters and organizers of these railroads desire the welfare of the common people and their little industries for all time, they will restrain their desire for immense riches and be content with the ample rewards these acts afford the opportunity of securing.

Should the Legislature prefer a few to secure great riches and permit them to issue lawful obligations representing not enterprise or labor but a keen instinct to secure enormous advantages over the people and thereby bind the shackles on their industry forever, it is not in the power of any single man or legislator to prevent.

Hawaii will for years repeat the cry of California producers.

Men of enormous capital are becoming ashamed of their own greed and its effect on the general character of the people and nation.

AN ACT TO AMEND SECTIONS 783 AND 808 OF  
CHAPTER 64 OF THE REVISED LAWS OF  
HAWAII RELATING TO THE GEN-  
ERAL RAILWAY LAW.

Introduced March 27, 1907, by Senator Geo. C. Hewitt.  
Passed first reading in the Senate, March 27, 1907.

Section 1. Section 783 of the Revised Laws of Hawaii is hereby amended to read as follows:

“Section 783. Power and authority is given to the Superintendent of Public Works, by and with the consent of the Governor, to enter into contract with any association of persons who may associate themselves together under the general corporation law of this Territory, and by the general law in relation to corporations and subject to all the provisions thereof and the provisions hereinafter contained, for the purpose of building and operating a railroad or railroads in any part of this Territory:

“Provided, however, it shall be lawful for any said association or corporation to issue preferred capital stock, in such sums as may be necessary, at a price in the legal monies of the United States of America equal to not less than ninety per cent. of the face value of such issues; and

“Further provided, however, as a compensation to the promoters, organizers, builders and financiers of any such railroad or railroads, it shall be lawful for any said association or corporation to issue common capital stock to an amount equal to one-fourth of original issues of preferred capital stock and bonds combined; and

“Further provided, however, when by the operations of a sinking fund any bonds, mortgage bonds or record evidences of debt of a capital nature shall have been paid and cancelled, it shall be unlawful for any said association or corporation to issue capital stock of any description to replace said above mentioned obligations cancelled;

“Further provided, however, it shall be unlawful for any said association or corporation to pay dividends in excess of seven per cent. per annum on preferred capital stock and six per cent. per annum on common capital stock, all dividends to be non-cumulative; and

“Further provided, however, it shall be lawful to charge for two years during construction all taxes to cost of construction of said railroad or railroads.”

Section 2. Section 808 of the Revised Laws of Hawaii is hereby amended to read as follows:

“Section 808. Any corporation which may be organized and undertake the building of any railroad or railroads, in pursuance of the authority of this chapter, and in accordance with it, may issue bonds to raise money for the construction of such railroad or railroads, in such sums as may be convenient, but it shall be unlawful to issue said bonds at a price, in the legal monies of the United States of America, less than ninety per cent. of the face value of any bond so issued and said bonds shall bear interest at a rate not to exceed six per cent. per annum; and

“Provided, however, at the expiration of nine years from the emitting of said bond issue or issues, there shall be established a sinking fund and yearly there shall be set aside such a sum of money which at a rate of interest equal to four per cent. per annum would amount at the end of forty-one years to a sum equal to the face value of the bonds of the issue against which said sinking fund is assigned; and

“Further provided, however, no capital stock or bonds shall be issued or exchanged for the purchase or consolidation of any

railroad or railroads without the approval of the Governor, the Treasurer and the Auditor of the Territory of Hawaii and then only after the terms of the proposed consolidation shall have been advertised for three weeks in not less than three daily, and three weekly newspapers, and a public hearing had."

Section 3. This Act shall take effect on the day of its approval.

AN ACT TO ENCOURAGE THE BUILDING OF PUBLIC RAILROADS ON THE ISLANDS OF HAWAII AND KAUAI, TERRITORY OF HAWAII.

Introduced March 27, 1907, by Senator Geo. C. Hewitt.

Passed first reading in the Senate March 27, 1907.

Section 1. Whenever there shall be organized under the authority of Chapter 64, Revised Laws of Hawaii, as amended by the Legislature, Session of A. D. 1907, an association or corporation to build a line of railroad or railroads through the districts of Hilo, Hamakua and South Kohala, Island of Hawaii, and to eventually extend from the town of Hilo to Kawaihae Harbor, Island of Hawaii, and there shall have been subscribed one million dollars of preferred capital stock of said corporation, on which not less than four hundred and fifty thousand dollars in lawful monies of the United States of America shall have been paid into the treasury of said corporation and on which not less than four hundred and fifty thousand dollars shall be due and payable within twelve months thereafter and there shall have been authorized an issue of two million dollars of first mortgage bonds on the property of said corporation, there shall be paid, subject to the approval of this Act by the Congress of the United States of America, on the first day of January and the first day of July of each year for a term of twenty years, from lawful monies then in the treasury of the Territory of Hawaii into the treasury of said corporation a sum on each of said dates equal to one and one-half per cent. on the total amount of said first mortgage bonds that have been sold and issued by said corporation to and on the dates above mentioned: and

Provided, however, said monies paid from the treasury of the Territory of Hawaii shall be applied solely to the payment of interest due on the first days of January and July on the first mortgage bonds above described and on dates above mentioned; and

Further provided, however, that, from the earnings of said railroad corporation net above the expense of management, operation and maintenance and a sum equalling three per cent. per annum on said first mortgage bonds outstanding, there shall be repaid into the treasury of the Territory of Hawaii any sums of money advanced from the treasury of the Territory of Hawaii under the conditions above named.

Section 2. Whenever there shall be organized under the authority of Chapter 64 Revised Laws of Hawaii as amended by the Legislature session of A. D. 1907, an association or corporation to build a line or lines of railroad or railroads through the several districts of the Island of Kauai as may be determined upon and as may provide proper transportation facilities for that Island, and there shall have been subscribed six hundred thousand dollars of preferred capital stock of said corporation on which not less than two hundred and seventy thousand dollars in lawful monies of the United States of America shall have been paid into the treasury of said corporation and on which not less than two hundred and seventy thousand dollars shall be due and payable within twelve months thereafter, and there shall have been authorized an issue of one million five hundred thousand dollars of first mortgage bonds on the property of said corporation, there shall be paid, subject to the approval of this Act by the Congress of the United States of America, on the first day of January and the first day of July of each year for a term of twenty years from lawful monies then in the treasury of the Territory of Hawaii into the treasury of said corporation a sum on each of said dates equal to one and one-half per cent. on the total amount of said first mortgage bonds that have been sold and issued by said corporation to and on the dates above mentioned; and

Provided, however, said monies paid from the treasury of the Territory of Hawaii shall be applied solely to the payment of interest due on the first days of January and July on the first mortgage bonds above next described and on the dates above mentioned; and

Further provided, however, that from the earnings of said railroad corporation net above the expense of management, operation and maintenance and a sum equalling three per cent. per annum on said first mortgage bonds outstanding there shall be repaid into the Treasury of the Territory of Hawaii any sums of money advanced by the treasury of the Territory of Hawaii under the conditions above named.

Section 3. This Act shall take effect when approved by the Governor of the Territory of Hawaii, and on the day of its lawful approval by the Congress of the United States of America.

Copy

HONOLULU, T. H., March 28th, 1907.

DEAR SIR:—I mail you a copy of the Bulletin with an article on "Transportation".

Beyond cost of operation and interest and dividends on conservative capitalization, all transportation becomes a tax on the people, and is as direct as taxes by the Government.

The only competitor possible in these Islands is the sea, excessively expensive at best.

Only by limiting capitalization by law or voluntarily can the people secure the advantages due it over cost by sea.

If they choose to fail to safeguard themselves, it should not be through lack of a thorough analysis of the local situation.

The article in question is for their thorough information.

It is not, however, expected to be effective from the fact the legislative session is so advanced, and organization alone is effectual in producing results.

The promoter is worthy of his reward in a just degree, but it should be the right of the representatives of the people to fix the limits.

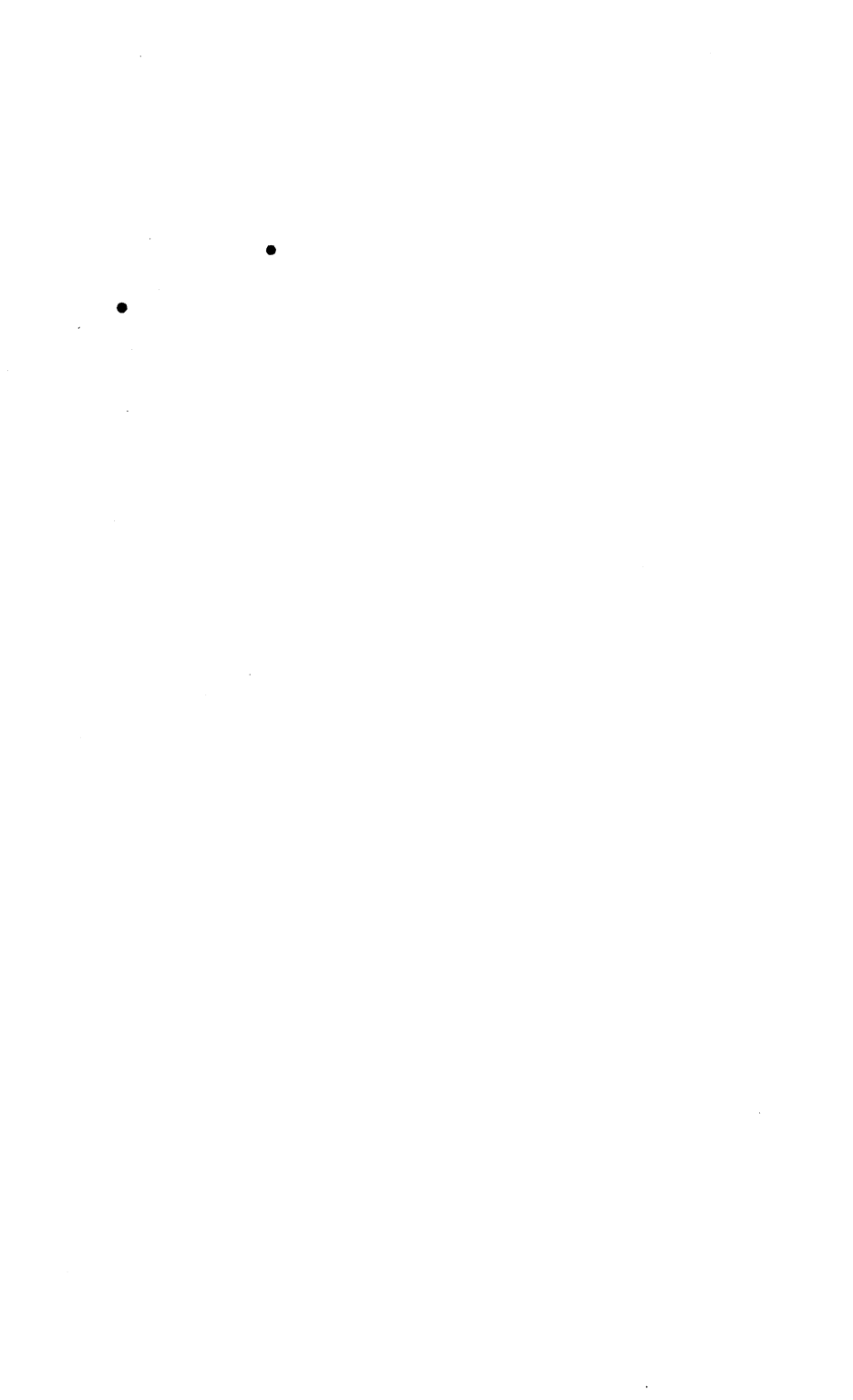
A direct tax by the Government economically applied in aid of the railway facilities should be welcomed by the promoters as strengthening their financial position, and could be well granted by the Government that the lowest possible traffic rates might prevail for the best interests of the Territory.

Taxes for this purpose do not bear the nature of an ordinary tax on the people, for as proposed they would be directly and promptly reimbursed to the Territorial treasury.

Very respectfully,

L. E. PINKHAM.









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